

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2368

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 42-11127, Arizona Revised Statutes, is amended to  
3 read:

4 42-11127. Exempt personal property; definition

5 A. Pursuant to article IX, section 2, subsection (6) **AND ARTICLE IX,**  
6 **SECTION 2.3**, Constitution of Arizona, personal property that is class two  
7 property pursuant to section 42-12002, paragraph 2, subdivision (a) or (b)  
8 that is used for agricultural purposes or personal property that is class one  
9 property pursuant to section 42-12001 that is used in a trade or business as  
10 described in section 42-12001, paragraphs 8 through 11 or 13 is exempt from  
11 taxation up to a maximum amount of ~~fifty thousand~~ **TEN MILLION** dollars of full  
12 cash value for each taxpayer.

13 B. On or before December 31 **OF** each year, the department shall  
14 increase the maximum amount of the exemption for the following tax year based  
15 on the average annual percentage increase, if any, in the GDP price deflator  
16 in the two most recent complete state fiscal years.

17 C. ~~In~~ **FOR THE PURPOSES OF** this section, "GDP price deflator" means the  
18 average of the four implicit price deflators for the gross domestic product  
19 reported by the United States department of commerce or its successor for the  
20 four quarters of the state fiscal year.

21 Section 2. Section 43-1022, Arizona Revised Statutes, is amended to  
22 read:

23 43-1022. Subtractions from Arizona gross income

24 In computing Arizona adjusted gross income, the following amounts shall  
25 be subtracted from Arizona gross income:

26 1. The amount of exemptions allowed by section 43-1023.

1           2. Benefits, annuities and pensions in an amount totaling not more  
2           than two thousand five hundred dollars received from one or more of the  
3           following:

4           (a) The United States government service retirement and disability  
5           fund, retired or retainer pay of the uniformed services of the United States,  
6           the United States foreign service retirement and disability system and any  
7           other retirement system or plan established by federal law.

8           (b) The Arizona state retirement system, the corrections officer  
9           retirement plan, the public safety personnel retirement system, the elected  
10          officials' retirement plan, an optional retirement program established by the  
11          Arizona board of regents under section 15-1628, an optional retirement  
12          program established by a community college district board under section  
13          15-1451 or a retirement plan established for employees of a county, city or  
14          town in this state.

15          3. A beneficiary's share of the fiduciary adjustment to the extent  
16          that the amount determined by section 43-1333 decreases the beneficiary's  
17          Arizona gross income.

18          4. The amount of any distributions from an individual retirement  
19          account as provided for in section 408 of the internal revenue code or from a  
20          qualified retirement plan of a self-employed individual as provided for in  
21          section 401 of the internal revenue code to the extent that total adjustments  
22          made pursuant to this paragraph in all tax years do not exceed the total of  
23          all contributions made by the taxpayer to such plans prior to December 31,  
24          1975, which were included in computing Arizona taxable income.

25          5. The amount of income on an installment receivable which is  
26          recognized pursuant to the internal revenue code and which has already been  
27          recognized on the death of the taxpayer for purposes of this title for tax  
28          years ending before January 1, 1990.

29          6. Interest income received on obligations of the United States, less  
30          any interest on indebtedness, or other related expenses, and deducted in  
31          arriving at Arizona gross income, which were incurred or continued to  
32          purchase or carry such obligations.

1           7. The amount of any income tax refunds which were received from  
2 states other than Arizona and which were included as income in computing  
3 federal adjusted gross income.

4           8. Annuity income included in federal adjusted gross income pursuant  
5 to section 72 of the internal revenue code if the first payment with respect  
6 to such annuity was received prior to December 31, 1978.

7           9. The excess of a partner's share of income required to be included  
8 under section 702(a)(8) of the internal revenue code over the income required  
9 to be included under chapter 14, article 2 of this title.

10          10. The excess of a partner's share of partnership losses determined  
11 pursuant to chapter 14, article 2 of this title over the losses allowable  
12 under section 702(a)(8) of the internal revenue code.

13          11. The amount by which the adjusted basis of property described in  
14 this paragraph and computed pursuant to this title and the income tax act of  
15 1954, as amended, exceeds the adjusted basis of such property computed  
16 pursuant to the internal revenue code. This paragraph shall apply to all  
17 property which is held for the production of income and which is sold or  
18 otherwise disposed of during the taxable year other than depreciable property  
19 used in a trade or business.

20          12. The amount allowed by section 43-1024 for amortization, by a  
21 qualified defense contractor certified by the department of commerce under  
22 section 41-1508, of a capital investment for private commercial activities.

23          13. The amount of gain included in federal adjusted gross income on  
24 the sale or other disposition of a capital investment that a qualified  
25 defense contractor has elected to amortize pursuant to section 43-1024.

26          14. The amount allowed by section 43-1025 for contributions during the  
27 taxable year of agricultural crops to charitable organizations.

28          15. The portion of any wages or salaries paid or incurred by the  
29 taxpayer for the taxable year that is equal to the amount of the federal work  
30 opportunity credit, the empowerment zone employment credit, the credit for  
31 employer paid social security taxes on employee cash tips and the Indian

1 employment credit that the taxpayer received under sections 45A, 45B, 51(a)  
2 and 1396 of the internal revenue code.

3 16. The amount of prizes or winnings less than five thousand dollars  
4 in a single taxable year from any of the state lotteries established and  
5 operated pursuant to title 5, chapter 5, article 1, except that all such  
6 winnings before March 22, 1983, including periodic distributions from such  
7 winnings made after March 22, 1983, may be subtracted.

8 17. The amount of exploration expenses that is determined pursuant to  
9 section 617 of the internal revenue code, that has been deferred in a taxable  
10 year ending before January 1, 1990 and for which a subtraction has not  
11 previously been made. The subtraction shall be made on a ratable basis as  
12 the units of produced ores or minerals discovered or explored as a result of  
13 this exploration are sold.

14 18. The amount included in federal adjusted gross income pursuant to  
15 section 86 of the internal revenue code, relating to taxation of social  
16 security and railroad retirement benefits.

17 19. To the extent not already excluded from Arizona gross income under  
18 the internal revenue code, compensation received for active service as a  
19 member of the reserves, the national guard or the armed forces of the United  
20 States, including compensation for service in a combat zone as determined  
21 under section 112 of the internal revenue code.

22 20. The amount of unreimbursed medical and hospital costs, adoption  
23 counseling, legal and agency fees and other nonrecurring costs of adoption  
24 not to exceed three thousand dollars. In the case of a husband and wife who  
25 file separate returns, the subtraction may be taken by either taxpayer or may  
26 be divided between them, but the total subtractions allowed both husband and  
27 wife shall not exceed three thousand dollars. The subtraction under this  
28 paragraph may be taken for the costs that are described in this paragraph and  
29 that are incurred in prior years, but the subtraction may be taken only in  
30 the year during which the final adoption order is granted.

31 21. The amount authorized by section 43-1027 for the taxable year  
32 relating to qualified wood stoves, wood fireplaces or gas fired fireplaces.

1           22. With respect to a medical savings account established pursuant to  
2 section 43-1028:

3           (a) An eligible individual may subtract:

4           (i) The amount of contributions made by the individual's employer  
5 during the taxable year to the individual's medical savings account pursuant  
6 to section 43-1028 to the extent that the employer contributions are included  
7 in the individual's federal adjusted gross income.

8           (ii) The amount deposited by the individual in the account during the  
9 taxable year to the extent that the individual's contributions are included  
10 in the individual's federal adjusted gross income.

11          (b) The individual's employer may subtract the amount of contributions  
12 made by the employer to a medical savings account established on the  
13 individual's behalf to the extent that the contributions are not deductible  
14 under the internal revenue code.

15          23. The amount by which a net operating loss carryover or capital loss  
16 carryover allowable pursuant to section 43-1029, subsection F exceeds the net  
17 operating loss carryover or capital loss carryover allowable pursuant to  
18 section 1341(b)(5) of the internal revenue code.

19          24. Any amount of qualified educational expenses that is distributed  
20 from a qualified state tuition program determined pursuant to section 529 of  
21 the internal revenue code and that is included in income in computing federal  
22 adjusted gross income.

23          25. Any item of income resulting from an installment sale that has  
24 been properly subjected to income tax in another state in a previous taxable  
25 year and that is included in Arizona gross income in the current taxable  
26 year.

27          26. The amount authorized by section 43-1030 relating to holocaust  
28 survivors.

29          27. The amount authorized by section 43-1031 for constructing an  
30 energy efficient residence.

31          28. An amount equal to the depreciation allowable pursuant to section  
32 167(a) of the internal revenue code for the taxable year computed as if the

1 election described in section 168(k)(2)(D)(iii) of the internal revenue code  
2 had been made for each applicable class of property in the year the property  
3 was placed in service.

4 29. With respect to property that is sold or otherwise disposed of  
5 during the taxable year by a taxpayer that complied with section 43-1021,  
6 paragraph 26 with respect to that property, the amount of depreciation that  
7 has been allowed pursuant to section 167(a) of the internal revenue code to  
8 the extent that the amount has not already reduced Arizona taxable income in  
9 the current or prior taxable years.

10 30. With respect to property for which an adjustment was made under  
11 section 43-1021, paragraph 27, an amount equal to one-fifth of the amount of  
12 the adjustment pursuant to section 43-1021, paragraph 27 in the year in which  
13 the amount was adjusted under section 43-1021, paragraph 27 and in each of  
14 the following four years.

15 31. For taxable years beginning from and after December 31, 2007  
16 through December 31, 2012, the amount contributed during the taxable year to  
17 college savings plans established pursuant to section 529 of the internal  
18 revenue code to the extent that the contributions were not deducted in  
19 computing federal adjusted gross income. The amount subtracted shall not  
20 exceed:

21 (a) Seven hundred fifty dollars for a single individual or a head of  
22 household.

23 (b) One thousand five hundred dollars for a married couple filing a  
24 joint return. In the case of a husband and wife who file separate returns,  
25 the subtraction may be taken by either taxpayer or may be divided between  
26 them, but the total subtractions allowed both husband and wife shall not  
27 exceed one thousand five hundred dollars.

28 32. To the extent not already excluded from Arizona gross income under  
29 the internal revenue code, the amount authorized by section 43-1032 for  
30 displaced pupils choice grants.

31 33. FIFTY-SEVEN PER CENT OF ANY NET CAPITAL GAIN INCLUDED IN FEDERAL  
32 ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR.

1           Section 3. Section 43-1111, Arizona Revised Statutes, is amended to  
2 read:

3           43-1111. Tax rates for corporations

4           There shall be levied, collected and paid for each taxable year upon  
5 the entire Arizona taxable income of every corporation, unless exempt under  
6 section 43-1126 or 43-1201 or as otherwise provided in this title or by law,  
7 taxes in an amount of: ~~6.968 per cent of net income or fifty dollars,~~  
8 ~~whichever is greater.~~

9           1. \_\_\_\_\_ PER CENT OF NET INCOME FOR TAXABLE YEARS BEGINNING FROM AND  
10 AFTER DECEMBER 31, 2008 THROUGH DECEMBER 31, 2009.

11           2. \_\_\_\_\_ PER CENT OF NET INCOME FOR TAXABLE YEARS BEGINNING FROM AND  
12 AFTER DECEMBER 31, 2009 THROUGH DECEMBER 31, 2010.

13           3. \_\_\_\_\_ PER CENT OF NET INCOME FOR TAXABLE YEARS BEGINNING FROM AND  
14 AFTER DECEMBER 31, 2010 THROUGH DECEMBER 31, 2011.

15           4. \_\_\_\_\_ PER CENT OF NET INCOME FOR TAXABLE YEARS BEGINNING FROM AND  
16 AFTER DECEMBER 31, 2011.

17           Sec. 4. Section 43-1122, Arizona Revised Statutes, is amended to read:

18           43-1122. Subtractions from Arizona gross income; corporations

19           In computing Arizona taxable income for a corporation, the following  
20 amounts shall be subtracted from Arizona gross income:

21           1. The amounts computed pursuant to section 43-1022, paragraphs 8  
22 through 15, 28, 29, ~~and~~ 30 AND 33. For purposes of this paragraph "federal  
23 adjusted gross income" as used in section 43-1022 means "federal taxable  
24 income".

25           2. The amount of Arizona capital loss carryover as defined in section  
26 43-1124 in an amount not to exceed one thousand dollars.

27           3. With respect to a financial institution as defined in section  
28 6-101, expenses and interest relating to tax-exempt income disallowed  
29 pursuant to section 265 of the internal revenue code.

30           4. Dividends received from another corporation owned or controlled  
31 directly or indirectly by a recipient corporation. ~~"Control"~~ For THE  
32 purposes of this paragraph, "CONTROL" means direct or indirect ownership or

1 control of fifty per cent or more of the voting stock of the payor  
2 corporation by the recipient corporation. Dividends shall have the meaning  
3 provided in section 316 of the internal revenue code. This subtraction shall  
4 apply without regard to ~~the provisions of~~ section 43-961, paragraph 2 and  
5 article 4 of this chapter. A corporation that has its commercial domicile,  
6 as defined in section 43-1131, in this state may subtract the full amount of  
7 the dividends. A corporation that does not have its commercial domicile in  
8 this state may subtract:

9 (a) For its taxable year beginning in 1990, an amount equal to  
10 one-half of the dividends.

11 (b) For taxable years beginning in 1991 and thereafter, the full  
12 amount of the dividends.

13 5. Interest income received on obligations of the United States.

14 6. The amount of dividend income from foreign corporations.

15 7. The amount of net operating loss allowed by section 43-1123.

16 8. The amount of any state income tax refunds received which were  
17 included as income in computing federal taxable income.

18 9. The amount of expense recapture included in income pursuant to  
19 section 617 of the internal revenue code for mine exploration expenses.

20 10. The amount of deferred exploration expenses allowed by section  
21 43-1127.

22 11. The amount of exploration expenses related to the exploration of  
23 oil, gas or geothermal resources, computed in the same manner and on the same  
24 basis as a deduction for mine exploration pursuant to section 617 of the  
25 internal revenue code. This computation is subject to the adjustments  
26 contained in section 43-1121, paragraph 8 and paragraphs 9 and 10 of this  
27 section relating to exploration expenses.

28 12. The amortization of pollution control devices allowed by section  
29 43-1129.

30 13. The amount of amortization of the cost of child care facilities  
31 pursuant to section 43-1130.

1           14. The amount of income from a domestic international sales  
2 corporation required to be included in the income of its shareholders  
3 pursuant to section 995 of the internal revenue code.

4           15. The income of an insurance company that is exempt under section  
5 43-1201 to the extent that it is included in computing Arizona gross income  
6 on a consolidated return pursuant to section 43-947.

7           16. The amount of contributions by the taxpayer during the taxable  
8 year to medical savings accounts established on behalf of the taxpayer's  
9 employees as provided by section 43-1028, to the extent that the  
10 contributions are not deductible under the internal revenue code.

11           17. The amount by which a capital loss carryover allowable pursuant to  
12 section 43-1130.01, subsection F exceeds the capital loss carryover allowable  
13 pursuant to section 1341(b)(5) of the internal revenue code.

14           Sec. 5. Retroactivity

15           This act applies retroactively to taxable years beginning from and  
16 after December 31, 2008."

17 Amend title to conform

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2:37 PM  
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